

Message Text

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C O N F I D E N T I A L MANILA 4565

E. O. 11652: GDS

TAGS: EPAP, RP

SUBJECT: U.S. TIRE MANUFACTURERS CONTINUE TO FEEL PRESSURE

REF: A. MANILA 797 B. 76 MANILA 18593

1. BUSINESS DAY REPORTED MARCH 24 ON ITS FRONT PAGE THAT THE PHILIPPINE TIRE AND RUBBER CORPORATION, 100 PERCENT FILIPINO FIRM, HAS BEEN ORGANIZED TO ENGAGE IN TIRE MANUFACTURING, AN AREA THAT HAS BEEN EXCLUSIVELY UNDER THE DOMAIN OF THREE U.S. COMPANIES --GOODYEAR, GOODRICH AND FIRESTONE. THE NEW COMPANY WAS REGISTERED LAST MONTH WITH THE SEC AND IS CAPITALIZED AT 50 MILLION PESOS. PRESIDENT AND PRINCIPAL INCORPORATOR WAS VINCENTE ASCUNCION, JR.

2. THE STORY WAS OBVIOUSLY PLANTED WITH BUSINESS DAY. PHILIPPINE TIRE'S PRESIDENT HAS THE SAME NAME AS THE VICE PRESIDENT FOR OPERATIONS AND TREASURER FOR CONSTRUCTION AND DEVELOPMENT CORPORATION OF THE PHILIPPINES (CDCP), WHICH IS HEADED BY RUDOLF CUENCA. BOTH CDCP AND THE PHILIPPINE NATIONAL OIL COMPANY (PNOC) (RONNIE VELASCO) HAVE BEEN MENTIONED AS THOSE INTERESTED IN TIRE MANUFACTURING. ASCUNCION REPORTEDLY PUT DOWN 99 0/0 OF THE P 500,000 IN CASH TO INCORPORATE THE COMPNAY.

3. THE STORY APPEARED ONE WEEK AFTER THE THREE AMERICAN
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TIRE MANUFACTURES HAD AN AUDIENCE WITH GERARDO SICAT, NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA) DIRECTOR GENERAL, TO SEEK CLARIFICATION OF GOP POLICY TOWARD THE TIRE INDUSTRY. SICAT STRESSED THAT NEDA WAS INTERESTED IN SEEING MANUFACTURERS EXPORT SINCE EXPORTS WOULD CREATE NEEDED DOLLAR REVENUES. GOODYEAR (PHILS) PRESIDENT HAL PALMER SUGGESTED THAT THE GOP

STOP TIRE IMPORTS AND SAVE \$3 MILLION A YEAR. HE POINTED OUT THAT EACH ASEAN COUNTRY HAD ITS OWN TIRE MAKING FACILITY AND THAT THE COST OF PRODUCTION IN THE PHILIPPINES WAS THE HIGHEST IN ASEAN. THE PHILIPPINES ALSO HAD THE HIGHEST DUTIES ON RAW MATERIALS. DESPITE THIS HANDICAP, THE PHILIPPINES DOES EXPORT RADIAL TIRES TO THE REGION BECAUSE OF ITS TECHNICAL ADVANTAGE. ACCORDING TO PALMER, SICAT CONTINUED TO PLACE EMPHASIS ON EXPORTS AND SAID THE INDUSTRY WAS OVERPROTECTED, BUT AT SAME TIME APPEARED OBJECTIVE AND COOPERATIVE.

4. PNOC HAD MADE NO NEW MOVES TOWARD GOODYEAR, BUT IT HAS CONTINUED TO FREEZE GOODRICH OUT OF ALL PETRON GAS STATIONS (SEE 76 MANILA 18593). THAT HAS MEANT ALSO THE LOSS OF GOP BUSINESS WHICH REPRESENTS 10 PERCENT OF THE TIRE MARKET. ON THE OTHER HAND, IMPORTS OF USED AND NEW TIRES DECREASED FROM 40,000 DURING THE FIRST TWO MONTHS OF 1976 TO 7,000 FOR THE SAME PERIOD IN 1977. INFLATION IN JAPAN AND THE CONSEQUENT RISE IN JAPANESE PRICES LARGELY ACCOUNT FOR THE DECREASE. U.S. TIRE MANUFACTURERS HAVE GIVEN JAPANESE EMBASSY OFFICER ITS POSITION PAPERS ON THE SUBJECT.

6. COMMENT: THE PRESSURE ON THE TIRE INDUSTRY CONTINUES, ALTHOUGH A HOPEFUL SIGN IS THAT THE INDUSTRY DID GET A HEARING FROM SICAT. THE NEW PHILIPPINE TIRE COMPANY APPARENTLY REMAINS A PAPER ORGANIZATION IF AND UNTIL SUCH TIME AS THE BOARD OF INVESTMENT (BOI) AND THE GOP GRANT IT SUFFICIENT INCENTIVES TO MAKE IT A CONFIDENTIAL

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VIABLE COMPETITOR.
SULLIVAN

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Message Attributes

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